

# CITY OF MUSKEGON

## FIDUCIARY INCOME TAX RETURN INSTRUCTIONS

### GENERAL INFORMATION:

Every estate and trust required to file a United States Fiduciary Return (Federal Form 1041) who has Muskegon taxable income, as defined below, must file a City of Muskegon Fiduciary Income Tax Return, Form M-1041. The Income Tax Ordinance requires that an estate or trust be treated and taxed as a non-resident individual. A tax rate of one-half of one percent (.005) applies to estates and trusts.

"Income for estates" means "Income" as defined in Sec. 643 (b) of the Federal Internal Revenue Code, property paid, credited or distributed but not in excess of the resident individuals' share of the distributable net income of the estate, decreased by the amount of depreciation or depletion allowed the resident individual as a deduction under Sec. 642 of the Federal Internal Revenue Code. The exceptions hereinafter set forth with respect to trusts are also applicable to income from estates.

"Income from trusts" means the amount of "Income" as defined in Sec. 643 (b) of the Federal Internal Revenue Code, distributed or required to be distributed under Sec. 652 (a) or 662 (a) (1) of the Federal Internal Revenue Code, decreased by the amount of depreciation or depletion allowed the resident individual as a deduction by Sec. 642 of the Federal Internal Revenue Code.

### TAXABLE INCOME:

The only types of income taxable to an estate or trust are the following:

1. Net profit from the operation of a business or enterprise that is attributable to business activity conducted in Muskegon whether or not such business or enterprise is located in Muskegon.
2. Net profit from rental of real and tangible personal property located in Muskegon.
3. Net profit on the sale or exchange of real and tangible personal property located in Muskegon.
4. Income from partnerships.

Other income, such as dividends or interest, is not taxable to trusts and estates. However, resident beneficiaries must report their distributive shares of these items on their individual return, Form M-1040.

### INSTRUCTIONS FOR PAGE 1 OF FORM M-1040:

**Line 1.** The total net profit (or loss) is to be computed from page 1 of the Federal U.S. Fiduciary Income Tax Return, Form 1041, by using those lines applicable to any business operation.

**Line 2.** Enter the City of Muskegon Income Tax deducted as an expense on Federal Form 1041.

**Line 3.** Add lines 1 and 2 to determine total allocatable income.

**Line 4.** Complete the Business Allocation Formula, Schedule A, Page 2, Form M-1041, and enter the Business Allocation Percentage computed.

**Line 5.** Multiply line 3 by line 4 to determine allocated income.

**Line 6.** Enter net income (loss) from rental of property located in the City of Muskegon

**Line 7.** Enter the net income (loss) from the sale or exchange of property located in Muskegon.

**Line 8.** Enter any other Muskegon income.

**Line 9.** Add lines 5, 6, 7 and 8 to determine Muskegon income.

**Line 10.** The Muskegon resident beneficiaries' share of distributable net income (loss) included in line 9 is subtracted. The amount of the subtraction is calculated on lines 10a through 10f. Muskegon resident beneficiaries are required to report their portion of distributable net income on their individual returns. They should receive this information from the Fiduciary.

**Line 10a.** Enter the resident beneficiaries' share of distributable net income.

**Line 10b.** Enter the distributable net income received by the estate or trust.

**Line 10c.** Divide line 10a by line 10b to determine the resident

beneficiaries' percentage of distributable income.

**Line 10d.** Enter the non-distributable income included in line 9.

**Line 10e.** Subtract line 10d from line 9.

**Line 10f.** Multiply the amount on line 10e by the percentage on line 10c to determine the resident beneficiaries' share of Muskegon distributable income.

**Line 11.** Subtract line 10f from line 9 to determine the Muskegon income subject to tax.

**Line 12.** Compute the tax due by multiplying the Muskegon income subject to tax by the tax rate, one-half of one percent (.005).

### SCHEDULE D - BUSINESS ALLOCATION FORMULA:

The Business Allocation Formula is to be used by estates or trusts with business activity both within and outside the City of Muskegon.

**Line 1a.** Enter in Column 1 the average net book value of all real and tangible personal property including inventories owned by the business, regardless of location; and in Column 2 enter the net book value of the real and tangible personal property including inventories located in the City of Muskegon. The average net book value of real and tangible personal property including inventories may be determined by adding the net book values at the beginning of the year and the net book values at the end of the year and dividing the sum thus obtained by two. Any other method which will accurately reflect the average net book value for the year will also be permitted.

**Line 1b.** Enter in Column 1 the gross rentals of real property for the tax period multiplied by 8 for all rented real property regardless of location. In Column 2 enter the gross rentals of real property for the tax period multiplied by 8 for all rented real property located in the City of Muskegon. Gross rentals refer to real property, rented or leased and should include the actual sums of money or other consideration payable, directly or indirectly, by the taxpayer for the use or possession of such real property.

**Line 2.** Enter in column 1 the total compensation paid to all employees during the tax year and in column 2 enter the amount of compensation paid to employees for work done or for services performed within the City of Muskegon during the same period.

**Line 3.** Enter in Column 1 the total gross receipts from all sales or services rendered during the tax year, and in Column 2 enter the amount of gross receipts from sales made or services rendered in the City of Muskegon during the same period.

**Line 5.** In determining the average percentage, a factor shall be excluded from the computation only when such factor does not exist anywhere insofar as the taxpayer's business operation is concerned and, in such cases, the sum of the percentage on line 4 shall be divided by the number of factors actually used.

### RESIDENT BENEFICIARIES' SHARE OF INCOME AND EXCLUSIONS SCHEDULE B AND SCHEDULE C:

The information for these schedules is to be taken from the comparable columns of Schedule C, Form 1041, U.S. Fiduciary Income Tax Return. Fiduciaries shall report the amounts in Schedule B, column 4 and Schedule C, Columns 1, 2 and 3 to each resident beneficiary who must report the amounts as income or exclusions on their individual return, form M-1040.

### TAX DUE OR REFUND

Tax due must be paid when filing the return. Make check or money order payable to City of Muskegon and mail with the return to the Income Tax Department, P.O. Box 29, Muskegon, Michigan 49443-0029. Tax due of less than one dollar need not be paid.

### DECLARATION OF ESTIMATED TAX

Estates and trusts are not required to file a Declaration of Estimated Income Tax.

### ASSISTANCE

If you have any questions not answered in these instructions, or if you need assistance in preparing your return, call (231) 724-6770 or visit the Income Tax Department in City Hall at 933 Terrace, Muskegon, Michigan.



# CITY OF MUSKEGON

## FIDUCIARY INCOME TAX RETURN

YEAR \_\_\_\_\_

M-1041

FOR CALENDAR YEAR \_\_\_\_\_ OR OTHER TAXABLE PERIOD BEGINNING \_\_\_\_\_, \_\_\_\_\_ AND ENDING \_\_\_\_\_, \_\_\_\_\_.

### IDENTIFICATION AND INFORMATION

PLEASE TYPE OR PRINT	NAME OF ESTATE OR TRUST	EMPLOYER IDENTIFICATION NUMBER OF ESTATE OR TRUST
	NAME, ADDRESS AND TITLE OF FIDUCIARY	FOR AUDIT USE ONLY

### INCOME AND TAX COMPUTATION

1. TOTAL BUSINESS INCOME (LOSS) FOR THE PERIOD (FROM FEDERAL FORM 1041)	\$
2. ADD CITY OF MUSKEGON INCOME TAX DEDUCTED FROM INCOME	
3. TOTAL ALLOCATABLE INCOME (ADD LINES 1 AND 2)	\$
4. BUSINESS ALLOCATION PERCENTAGE (FROM SCHEDULE A, PAGE 2)	
5. ALLOCATED INCOME (MULTIPLY LINE 3 BY LINE 4)	
6. NET INCOME (LOSS FROM RENTAL PROPERTY LOCATED IN THE CITY OF MUSKEGON (FROM FEDERAL FORM 1041)	
7. NET INCOME (LOSS) FROM SALE OR EXCHANGE OF PROPERTY LOCATED IN MUSKEGON (FEDERAL FORM 1041)	
8. OTHER CITY OF MUSKEGON INCOME	
9. TOTAL CITY OF MUSKEGON INCOME (ADD LINES 5, 6, 7 AND 8)	\$
10. LESS AMOUNT OF MUSKEGON INCOME APPLICABLE TO BENEFICIARIES WHO ARE RESIDENTS OF MUSKEGON COMPUTE THE AMOUNT ON LINE 10 AS FOLLOWS:	
a. ENTER RESIDENT BENEFICIARIES' SHARE OF DISTRIBUTABLE NET INCOME RECEIVED BY THE ESTATE OR TRUST (FROM SCHEDULE B, PAGE 2)	\$
b. ENTER TOTAL DISTRIBUTABLE NET INCOME RECEIVED	\$
c. DIVIDE LINE 10a BY LINE 10b AND ENTER THE PERCENTAGE	%
d. ENTER THE NON-DISTRIBUTABLE INCOME INCLUDED IN LINE 9	\$
e. SUBTRACT LINE 10d FROM LINE 9	\$
f. MULTIPLY LINE 10e BY THE PERCENTAGE ON LINE 10c (RESIDENTS' SHARE MUSKEGON DISTRIBUTABLE INCOME)	\$
11. AMOUNT SUBJECT TO TAX (LINE 9 LESS LINE 10f)	\$
12. AMOUNT OF TAX DUE (MULTIPLY LINE 11 BY ONE-HALF OF 1%) (.005)	\$

### PAYMENTS AND CREDITS

13. a. TAX PAID WITH TENTATIVE RETURN	\$
b. PAYMENTS ON DECLARATION OF ESTIMATED MUSKEGON INCOME TAX	\$
14. TOTAL (ADD LINES 13a, AND b)	\$

### TAX DUE OR REFUND

15. IF THE TAX (LINE 12) IS LARGER THAN THE PAYMENTS (LINE 14), ENTER BALANCE DUE. MAKE REMITTANCE PAYABLE TO: CITY OF MUSKEGON. MAIL TO: INCOME TAX DEPARTMENT, P.O. BOX 29, MUSKEGON, MICHIGAN 49443-0029	\$
16. IF THE PAYMENTS (LINE 14) ARE LARGER THAN THE TAX DUE (LINE 12), ENTER OVERPAYMENT TO BE REFUNDED	\$

MAKE CHECK PAYABLE TO: CITY OF MUSKEGON

MAIL TO: INCOME TAX DEPARTMENT, P.O. BOX 29, MUSKEGON, MICHIGAN 49443-0029

SIGN HERE	I DECLARE THAT I HAVE EXAMINED THIS RETURN (INCLUDING ACCOMPANYING SCHEDULES) AND TO THE BEST OF MY KNOWLEDGE AND BELIEF, IT IS TRUE, CORRECT AND COMPLETE. IF PREPARED BY A PERSON OTHER THAN THE TAXPAYER, THIS DECLARATION IS BASED ON ALL INFORMATION OF WHICH THE PREPARER HAS ANY KNOWLEDGE. <input type="checkbox"/> I AUTHORIZE THE INCOME TAX DEPARTMENT TO DISCUSS THIS RETURN AND ATTACHMENTS WITH THE PREPARER.			
	DATE	FIDUCIARY SIGNATURE OR OFFICER REPRESENTING FIDUCIARY	TITLE	PHONE
	DATE	INDIVIDUAL OR FIRM SIGNATURE OF PREPARER OTHER THAN FIDUCIARY	ADDRESS	PHONE

**SCHEDULE A - BUSINESS ALLOCATION FORMULA**

	COLUMN 1 LOCATED EVERY- WHERE	COLUMN 2 LOCATED IN MUSKEGON	COLUMN 3 PERCENTAGE (COLUMN 2 DIVIDED BY COLUMN 1)
1. a. AVERAGE NET BOOK VALUE OF REAL AND TANGIBLE PERSONAL PROPERTY	\$	\$	
b. GROSS ANNUAL RENT PAID FOR REAL PROPERTY ONLY, MULTIPLIED BY 8			
c. TOTALS (ADD LINES 1a AND b)			%
2. TOTAL WAGES, SALARIES, COMMISSIONS AND OTHER COMPENSATION OF ALL EMPLOYEES			%
3. GROSS RECEIPTS FROM SALES MADE OR SERVICES RENDERED			%
4. TOTAL PERCENTAGES - ADD THE THREE PERCENTAGES COMPUTED IN COLUMN 3, LINES 1c, 2 AND 3 (A PERCENTAGE MUST BE COMPUTED FOR EACH LINE)			%
5. BUSINESS ALLOCATION PERCENTAGE (ONE-THIRD OF LINE 4) ENTER HERE AND ON PAGE 1, LINE 8			%
NOTE: IN DETERMINING THE AVERAGE PERCENTAGE (LINE 5), IF A FACTOR DOES NOT EXIST, THE SUM OF THE PERCENTAGES SHALL BE DIVIDED BY THE NUMBER OF FACTORS ACTUALLY USED.			
IN THE CASE OF A TAXPAYER AUTHORIZED BY THE INCOME TAX ADMINISTRATOR TO USE ONE OF THE SPECIAL FORMULAE, ATTACH AN EXPLANATION AND USE THE LINES PROVIDED BELOW:			
a. NUMERATOR		c. PERCENTAGE (a. DIVIDED b.) ENTER HERE AND ON PAGE 1, LINE 8	
b. DENOMINATOR		d. DATE OF ADMINISTRATOR'S APPROVAL LETTER	

**SCHEDULE B - RESIDENT BENEFICIARIES**

1. NAME OF EACH RESIDENT BENEFICIARY	2. ADDRESS OF RESIDENT BENEFICIARY	3. SOCIAL SECURITY NUMBER	4. SHARE OF DISTRIBUTABLE INCOME
a.			
b.			
c.			
d.			
e.			
5. RESIDENT BENEFICIARIES TOTAL DISTRIBUTABLE INCOME (ENTER HERE AND ON LINE 10a)			

**SCHEDULE C - RESIDENT BENEFICIARIES' SHARE OF EXCLUSIONS**

1. EXCLUSION FOR CAPITAL GAINS AND LOSSES FOR THE PERIOD PRIOR TO JULY 1, 1993. (ENTER ON LINE 5, COLUMN II, FORM M-1040)	2. EXCLUSION FOR INTEREST FROM GOVERNMENT OBLIGATIONS. (ENTER ON LINE 2, COLUMN II, FORM M-1040)	3. MISCELLANEOUS INCOME EXCLUSIONS ATTACH EXPLANATION AND SUPPORT. (ENTER ON LINE 14, COLUMN II, FORM M-1040)
a.	a.	a.
b.	b.	b.
c.	c.	c.
d.	d.	d.
e.	e.	e.
NOTE: FIDUCIARY SHALL REPORT AMOUNTS IN COLUMNS 1, 2 AND 3 TO EACH RESIDENT BENEFICIARY		